REBUTTAL TESTIMONY OF
DANIEL F. KASSIS, P.E.
ON BEHALF OF
DOMINION ENERGY SOUTH CAROLINA, INC.
DOCKET NO. 2020-229-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Daniel ("Danny") F. Kassis. My business address is 2392 West Aviation Avenue, North Charleston, South Carolina 29406. I am the General Manager of Strategic Partnerships & Renewable Energy, for Dominion Energy South Carolina, Inc. ("DESC"). I oversee customer facing solar and all renewable energy initiatives for DESC. I also lead the customer service engineering, lighting, right-of-way, demand side management, large customer account, and franchise/contracts teams for DESC.

Q. ARE YOU THE SAME DANNY KASSIS THAT OFFERED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes, I am.

Q. WOULD YOU LIKE TO MAKE ANY UPDATES TO YOUR DIRECT TESTIMONY?

A. Yes. Since the filing of my direct testimony, my title at DESC has changed to General Manager of Strategic Partnerships & Renewable Energy. I am still responsible for customer facing solar and all renewable energy initiatives for DESC. However, as noted above, I also lead the customer service engineering, lighting, right-of-way, demand side management, large customer account and franchise/contract teams for the Company.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to certain requests by intervenors that the Public Service Commission of South Carolina (the "Commission") modify DESC's net energy metering ("NEM") tariffs proposed in this docket (collectively, the "Solar Choice Tariffs"). Specifically, the respective modifications proposed by Witness Barnes, Witness Beach, and Witness Zimmerman evidence a fundamental self-interest in violation of Act 62. On the other end of the spectrum, ORS Witness Horii heeds the requirements of Act 62 and provides modifications that seek to eliminate cost-shift—even beyond the cost-shift remaining under the Solar Choice Tariffs—in the interest of the "using and consuming public." The General Assembly—through Act 62—expressly requires that the Commission establish Solar Choice Tariffs that:

> (1) eliminate any cost shift to the greatest extent practicable on customers who do not have customer-sited generation while also ensuring access to customer-generator options for customers who choose to enroll in customer-generator programs; and

(2) permit solar choice customer-generators to use customer-generated energy behind the meter without penalty.

These stated requirements of the Commission within Act 62 were the primary drivers in DESC's development of the Solar Choice Tariffs. To address these requirements, DESC not only evaluated the overall, broader intent of Act 62, but also utilized proven rate-making tools and information obtained through the generic NEM docket in 2019-182-E (the "Generic Docket"). Indeed, these rate-making tools were characterized by ORS Witness Horii as "hallmarks of an ideal" tariff. However, in my observation and based upon my experience in the industry, other intervenors have attempted to manipulate the plain language of Act 62 to modify the Solar Choice Tariffs, with the ultimate goal of providing subsidies—in addition to existing tax credits and incentives—to the rooftop solar industry in South Carolina that are not "just and reasonable in light of the costs and benefits of the solar choice metering program." These subsidies would therefore provide inflated benefits to either the installers of these rooftop systems, to a small subset of DESC's customers, or possibly some combination of both.[1] As such, the Commission should look past outright mischaracterizations of these tariffs made by certain intervenors, and instead evaluate them within the parameters of Act 62. Through this lens, the Solar Choice Tariffs clearly present a reasonable path forward for the next generation of NEM in South Carolina, as contemplated by Act 62.

[1] As discussed below, it is unclear precisely how certain of these changes would affect the rooftop solar leasing industry in South Carolina given the lack of transparency to date regarding typical leasing practices in South Carolina.

RESPONSE TO ORS WITNESS HORII

Q. WITNESS HORII SUGGESTS ADJUSTMENTS TO DESC'S PROPOSED RATE VALUES CALCULATED BY WITNESS EVERETT. DO YOU AGREE WITH HIS RECOMMENDATIONS?

A. DESC Witness Everett will address specifics relating to assumptions and the calculations performed in her testimony. However, although Witness Horii may have recommended changes to certain rate values, it is important to note that he does not recommend changes to the actual rate design tools utilized by DESC. Witness Horii states plainly on page 5, line 14, through page 6, line 7:

> The DESC rate proposal is in alignment with the rate design components that E3 presented in its 2018 Report on Cost Shift in South Carolina (Exhibit BKH-2). In the 2018 Report, E3 identified the following rate design elements as hallmarks of an ideal Solar Choice Metering Tariff:
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> 1) A flat monthly service charge to recover utility fixed costs related to serving a customer, independent of customer usage;
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> 2) TOU rates to better provide price signals to customers regarding the utility's variable costs related to energy procurement, and to incentivize customer energy usage patterns to better align with cost causation; and
>
> 3) Monthly demand charges that charge the customer for its maximum usage of the grid. A variety of mechanisms could be used, such as an average of several peak demand levels within a billing period, a rolling average of daily peak demand, or even a simple size-based demand charge to reflect maximum withdrawals and injections of power into the grid.
>
> The Solar Choice Metering Tariff proposed by DESC includes these rate design elements.

I think it is important that the expert for the ORS—the organization charged with examining the impact on all customers rather than a specific customer class—finds alignment with DESC's rate-making tools within the Solar Choice Tariffs.

Q. ON PAGE 7, LINES 5 THROUGH 8, WITNESS HORII DESCRIBES DESC'S ELIMINATION OF BANKING AND STATES, "IF THE SOLAR ENERGY IS 'CONSUMED' BY THE CUSTOMER-GENERATOR [BEHIND THE METER] THE CUSTOMER'S RETAIL ENERGY BILL IS REDUCED, AND IF THE SOLAR ENERGY IS EXPORTED ONTO THE GRID, A BILL CREDIT IS PRODUCED USING THE AVOIDED COST RATES SIMILAR TO OTHER SMALL RENEWABLE RESOURCES." DO YOU AGREE WITH THIS DESCRIPTION?

A. Yes, I do agree with Witness Horii's description. DESC's focus in developing the Solar Choice Tariffs was to align rates with the cost to serve NEM customers in a way that eliminates the burden—otherwise referred to as cost-shift—on non-participating customers to the greatest extent practicable. As Witness Horii outlines in his direct testimony, the current banking and crediting regime is the primary driver of the cost-shift arising to non-participating customers under the current NEM programs (the "Current NEM Programs"). By permitting customer-generation to only offset energy that would have otherwise been purchased from DESC, the Solar Choice Tariffs more accurately align costs and benefits given that, from DESC's perspective, it represents a portion of such customer's load that DESC no longer has to supply. As explained by Witness Horii, crediting excess energy exported to DESC at avoided cost ensures that the bill credits accurately reflect benefits (i.e., costs avoided by DESC as a result of the customer's generation), rather than a retail rate that is inflated above these avoided costs. To be clear, this avoided cost structure has long been recognized as a way to accurately capture the value of certain generation exported to the utility under PURPA for other, similar renewable energy generators. The existing full retail credit was unique to the NEM context in South Carolina under Act 236, and now Act 62 calls for a shift away from this rate structure to move NEM in-line with other, long-accepted practices related to power produced by these renewable generators utilizing market-driven principles.

Q. ON PAGE 4, LINE 12, THROUGH PAGE 5, LINE 6, WITNESS HORII LISTS THE SOLAR CHOICE REQUIREMENTS FROM ACT 62. PLEASE EXPLAIN HOW THE SOLAR CHOICE TARIFFS "PERMIT SOLAR CHOICE CUSTOMER-GENERATORS TO USE CUSTOMER-GENERATED ENERGY BEHIND THE METER WITHOUT PENALTY."

A. The Solar Choice Tariffs address this goal by implementing a rate structure that fairly allocates the costs and benefits of generation produced by these NEM customers in accordance with Act 62. As Witness Everett notes, these charges are simply reflective of the costs to serve these customers, which can hardly be characterized as a penalty. Witness Horii also observes that when customer-generators consume on-site generation, they are able to reduce their retail electric bills. This generation can be used to fully offset the energy that the customer would otherwise purchase from DESC. That is, there is no "penalty" or "consumption tax" based upon how much energy the customer consumes behind the meter.

Q. HOW DO YOU RESPOND TO WITNESS HORII'S STATEMENT THAT THE AMOUNT OF THE SUBSCRIPTION FEE SHOULD BE REDUCED?

A. Witness Everett responds to Witness Horii's specific rate-making suggestions in greater detail—however, I would point out that although Witness Horii recommends to lower the Subscription Fee, he recommends a corresponding increase in the TOU rates. Witness Horii also correctly notes that DESC's inclusion of transmission and distribution ("T&D") costs in the Subscription Fee is a "primary driver" in reducing the cost-shift. Specifically, DESC designed the subscription fee based upon the total cost of T&D for a residential or small general service customer-generator, net of the avoided cost savings, provided by the customer generator's solar installation. Witness Horii's testimony accurately reflects that customers are able to consume what they produce without penalty. The subscription fee simply recovers T&D costs related to the customer-generator's <u>usage of the grid</u> (two-way flow)—not the customer's <u>consumption of behind-the-meter generation</u>. Witness Horii clearly understands the relationship and interdependence of the rate design and choice of rate-making tools in the Solar Choice Tariffs that culminate to accomplish the goals of Act 62.

Q. HOW DO YOU VIEW WITNESS HORII'S PROPOSED MODIFICATIONS TO THE SOLAR CHOICE TARIFFS RELATIVE TO THE MODIFICATIONS PROPOSED BY OTHER INTERVENORS IN THIS DOCKET?

A. At the outset, I think it is clear that each proposed modification to the Solar Choice Tariffs evidences the underlying interests of the respective party. For example, ORS Witness Horii's modifications favor the larger customer base as a whole (but with particular emphasis on lower-income customers) by even further reducing the cost-shift under the Solar Choice Tariffs. This reflects the fundamental statutory mission of the ORS to represent the interest of the "using and consuming public . . . regardless of the class of customer."[2] As for the other intervenors in this docket, ORS Witness Lawyer notes that "the interests of those entities are not always aligned with the interests of the using and consuming public."[3] As such, you see self-interested proposals, such as an NEM program that guarantees future profits from Witness Zimmerman, inflated benefits from Witness Beach, or a mischaracterization of NEM best practices by Witness Barnes. Those proposals undoubtedly swing to the other end of the spectrum from ORS Witness Horii, and overtly favor the small subset of customers in the DESC service territory that participate in NEM at the expense of DESC's overall customer base. However, the

[2] S.C. Code Ann. § 58-4-10(B).
[3] Direct Testimony of Robert A. Lawyer p. 3, lines 20-21.

Solar Choice Tariffs proposed by DESC fall somewhere in the middle of Witness Horii and the intervenors, and, like the ORS, represent a good faith effort by DESC to balance the policy provisions of Act 62—as we understand them—with the specific mandates put to this Commission when establishing Solar Choice.

RESPONSE TO WITNESS BARNES

Q. WITNESS BARNES STATES ON PAGE 53, LINES 5 THROUGH 8, THAT "THE SUBSCRIPTION CHARGE IS SPECIFICALLY DESIGNED TO CHARGE SOLAR CHOICE CUSTOMERS FOR ELECTRICITY THAT THEY PRODUCE AND CONSUME DIRECTLY BEHIND THE METER." DO YOU AGREE?

A. Obviously not, and as described below, apparently Witness Horii disagrees as well. In my view, characterizing the subscription fee as a penalty on behind-the-meter energy consumption is just an attempt by Witness Barnes to place the Solar Choice Tariffs in violation of Act 62, thereby opening the door to additional changes to these tariffs. As I stated above, the Subscription Fee is designed to move away from volumetric rates and implement a rate structure that better aligns costs attributable to solar choice customer's usage of the T&D assets owned by DESC to supply them with power and absorb excess generation delivered across those same assets. Witness Barnes goes to an extreme to doubt whether these customers have <u>any</u> responsibility for these costs, noting that the "proposal is based on a <u>supposed</u> responsibility that solar customers bear for embedded transmission and distribution costs" simply because he is not satisfied with DESC's cost of service analysis.[4] Witness Barnes, through this testimony, completely ignores the General Assembly's requirement in the Generic Docket to "investigate and determine the cost to serve of service implications" and the "aggregate impact of customer-generators on the electrical utility's long-run marginal costs of generation, distribution, and transmission."[5] As previously explained in the Generic Docket, embedded T&D costs represent incurred investments that are currently needed to deliver power to all customers—simply installing rooftop solar does not change that fact. To be clear, DESC was not alone in the Generic Docket in noting that these customers should fairly account for the portion of T&D costs which they cause. Numerous parties—including both utilities and the ORS—provided testimony in the Generic Docket that NEM customers still consume power supplied by the utility and rely on distribution and transmission assets to transport that power during peak periods and other periods of intermittency when the sun is shining. As a result, and as shown in the Generic Docket, these customers also drive long-run distribution and transmission marginal costs, which represent future costs indicative of incremental investments in generation, distribution, and transmission required to serve NEM customers.

Rather than advocating for adjustments or modifications to constructively aid the Commission in its consideration of the Subscription Fee (as did the ORS),

[4] Direct Testimony of Justin R. Barnes p. 52, lines 14-15. (emphasis added).
[5] S.C. Code Ann. § 58-40-20(C)(1) and (C)(2).

Witness Barnes takes the extreme position that the subscription fee "could not be more directly or completely in violation" of Act 62 and should be struck in its entirety. Witness Barnes' testimony seeks to distort the purpose of the subscription fee in this docket and in other jurisdictions.[6] To be clear, at a fundamental level, the subscription fee in the Solar Choice Tariffs is cost-based because it is tied to the rooftop system's size—an increase in the rooftop system's size corresponds to an increased demand placed upon the grid via energy delivered to the customer and energy exported to DESC. Therefore, it is reflective of the costs to serve these customers from a T&D perspective, which squares nicely with Act 62's directive to provide a fair allocation of costs and benefits under the Solar Choice Tariffs. In claiming that the subscription fee is in violation of Act 62, Witness Barnes stands in direct contradiction of not only the plain language of Act 62, but also ORS Witness Horii's testimony, which describes these charges as the route via which DESC can recover T&D-related expenses, while reducing cost-shift by accounting for the complexities of serving NEM customers.[7] By flatly contradicting Act 62 and ORS Witness Horii, Witness Barnes raises questions about the basis for his claims.

Q. ON PAGE 57, LINE 19, THROUGH PAGE 58, LINE 19, WITNESS BARNES LISTS "READILY IDENTIFIABLE REASONS" WHY INSTALLATION

[6] Direct Testimony of Justin R. Barnes p. 52, line 6, through p. 54, line 16.
[7] Direct Testimony of Brian Horii p. 11, lines 10-15.

RATES MIGHT HAVE SLOWED. CAN YOU PLEASE EXPLAIN THESE "READILY IDENTIFIABLE REASONS?"

A. Witness Robinson will respond more directly to Witness Barnes' various claims—however, I will address Witness Barnes' claims about the impact of rate reductions realized by DESC's customers. To appreciate Witness Barnes' testimony I would like to first revisit the language of Act 62. Section 58-40-20(G) clearly states:

> In establishing a successor solar choice metering tariff, the commission is directed to:
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> (1) eliminate any cost shift to the greatest extent practicable on customers who do not have customer-sited generation while also ensuring access to customer-generator options for customers who choose to enroll in customer-generator programs; and
>
> (2) permit solar choice customer-generators to use customer-generated energy behind the meter without penalty.

This is what is <u>required</u> of the Commission in this docket. The Solar Choice Tariffs are designed to permit solar choice customer-generators to use customer-generated energy behind the meter without penalty; eliminate cost shift to the greatest extent practicable on customers who do not have customer-sited generation; and also ensure access to customer-generator options. Yet, Witness Barnes seems to suggest that, instead, the Solar Choice Tariffs must—regardless of cost shift—incentivize rooftop installations, even though the installation rates of these systems began to slow years ago. This is a refrain similar to that put forth by Witness Zimmerman, and equally out of touch with the <u>requirements</u> of Act 62. Indeed, Act 62 expressly cautions that customers should be protected "from rising utility costs"—yet, their proposed modifications upend this concern and seek to protect their industry's interests from the impacts of decreasing utility costs by shifting costs on to other customers.[8] To be clear, Witness Barnes' and Witness Zimmerman's pleas for a solar-developer gift package rather than a tariff that "fairly allocates costs and benefits" is not supported by Act 62 and actually runs contrary to the cost-shift principles therein. Witness Barnes also fails to mention that DESC customers have benefitted from a large adoption of utility-scale solar energy that is available to all customers—regardless of income level—at the utility's lower avoided costs. By ignoring the requirements of Act 62, Witness Barnes simply hopes to achieve a result that benefits a small subset of customers and intervenors at the expense of the broader customer base.

Witness Robinson, by contrast, focuses upon future adoption in South Carolina and considers whether historic factors can be adequate predictors of future behavior. In doing so, Witness Robinson applies accepted modeling to customer decision-making as it relates to adoption, and has explained the structural factors which influence customer adoption and the corresponding diffusion of technologies. These factors were also outlined in Witness Robinson's testimony in the Generic Docket. In short, and contrary to Witness Barnes' claims, Witness Robinson's analysis demonstrates that increases and decreases in rates have had little to do with

[8] S.C. Code Ann. § 58-27-845(A)(1).

slowing customer adoption—rather, the incentive structures have been the primary influencer of adoption rates in recent history in DESC's service territory. Rather than simply crafting a convenient narrative, Witness Robinson provides thorough expert analysis about <u>future</u> adoption rates and actual drivers of the same, while providing the Commission with several scenarios and reasonable indicators that can be used to provide a comprehensive picture of solar adoption.

RESPONSE TO WITNESS ZIMMERMAN

Q. WITNESS ZIMMERMAN STATES ON PAGE 1, LINES 4 THROUGH 6, THAT HIS COMPANY "FOCUSES ON PROVIDING CUSTOMER-SITED, DISTRIBUTED GENERATION SOLAR SOLUTIONS ('DG' OR 'CUSTOMER-GENERAT[](SIC)') TO COMMERCIAL AND INDUSTRIAL RATEPAYERS ('C&I'), INCLUDING THOSE IN THE SERVICE TERRITORY" OF DESC. CAN YOU EXPLAIN IN MORE BASIC TERMS WITNESS ZIMMERMAN'S INTEREST AS IT RELATES TO THIS PROCEEDING?

A. Yes. Witness Zimmerman provides a very straight forward explanation on his company's website: "[Alder] specializes in the design, installation, and integration of commercial and government solar systems."[9] Alder is a developer

[9] https://www.alder-energy.com/company/

and installer of rooftop solar systems, which specializes in the non-residential sector.

Q. WITNESS ZIMMERMAN CITES HIS TESTIMONY FROM THE GENERIC DOCKET. CAN YOU SUMMARIZE HIS POSITION IN THAT DOCKET?

A. It appears his primary concern was to obtain favorable economics for non-residential NEM customers—regardless of the resulting effect to non-participating customers. In fact, he admitted that market growth "is really - a lot of it is policy-driven," but that he "would love to be able to grow at a very nice clip."[10] Witness Zimmerman's testimony is straightforward—he is looking to this Commission to set policy to ensure that his business is able to increase profits year-over-year, without regard for the reality of the actual costs and benefits of serving NEM customers—the pillars of establishing the Solar Choice Program under Act 62. This decoupling from the guiding principles in this docket is perhaps most clearly evidenced in Witness Zimmerman's statement in the Generic Docket that by "allocating non-zero benefits or costs to <u>all</u> components of the Methodology's value stack, the Commission can promote investment confidence by customer-generators."[11] Witness Zimmerman's narrow focus on providing "confidence" to promote the steady growth of his own business, regardless of the realities of serving NEM customers or such program's effect on DESC's overall customer base, clearly

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[10] Docket No. 2019-182-E, Tr. at 504.

[11] Direct and Rebuttal Testimony of Donald R. Zimmerman, filed in Docket No. 2019-182-E, page 6, lines 23-25. (emphasis in original).

conflicts with the fundamental principles of Act 62. Although one can understand Witness Zimmerman's desire for government assistance and guarantees more in the context of NEM under Act 236, it simply cannot be squared with my understanding of Act 62's directives and the Commission's obligation to approve a successor tariff that balances the interests of all customers.

Q. ON PAGE 4, LINES 16 THROUGH 20, WITNESS ZIMMERMAN OUTLINES THREE PRINCIPLES THAT THE COMMISSION SHOULD CONSIDER WHEN ESTABLISHING SOLAR CHOICE. CAN YOU RESPOND TO EACH OF THESE THREE PRINCIPLES?

A. Yes. However, at the outset, it is important to note that Witness Zimmerman combines two very different concepts to, in my view, distort the words of Act 62. The General Assembly gave specific instructions to the Commission when <u>establishing</u> solar choice metering, but those instructions are not what he cited. I will provide the Solar-Choice-specific language below, but as for the items cited by Witness Zimmerman, they essentially provide intent—but do not supersede—the specific instructions to this Commission when establishing Solar Choice.

First, Witness Zimmerman suggests that the Commission must consider "continuing private investment in 'onsite' DG." The General Assembly provided this stated intent to help explain and provide context for the adopted Solar Choice related requirements and this does not reflect a requirement on the Commission, and it is also not the complete language provided by the General Assembly. In fact, the full quote shows the intent to enable "market-driven, private investment in distributed energy resources."[12] Contrary to Witness Zimmerman's assertion, it is not a singular focus on enabling private investment at all cost, it is a comprehensive approach that ensures market principles determine what that growth will be. It is clear that the Solar Choice Tariffs fulfill this mandate by "fairly allocat[ing] the costs and benefits" of serving NEM customers in accordance with Act 62.

Second, Witness Zimmerman suggests a primary focus should be to reduce "regulatory and administrative burdens on the deployment of 'DG.'" Again, his quote fails to include the full quote, which seeks to ensure market-driven investment in distributed generation, and thereby alters the literal words of Act 62. Witness Zimmerman asks this Commission to ignore the requirement on the Commission to "fairly allocate[e] costs and benefits to eliminate any cost shift or subsidization associated with net metering to the greatest extent practicable," and instead begs the Commission to provide government assistance to artificially guarantee future development.

Lastly, Witness Zimmerman notes that the market for customer-scale generation should not be disrupted. Yet, little is known about the customer-scale development markets. Even assuming Act 62 allows what Mr. Zimmerman asks, which it does not, the Commission would surely want to know what customers are being charged, leasing terms and conditions, and associated contract length and

[12] S.C. Code Ann. § 58-40-20(A)(1). (emphasis added).

tenor. In fact, Vote Solar was the first party in this docket to express interest in rooftop leasing practices in South Carolina and DESC echoed those concerns in this docket. DESC would welcome Witness Zimmerman providing actual details, rather than bald assertions regarding what customers will tolerate, about the rooftop leasing market in South Carolina for the Commission to have sufficient evidence to evaluate his—to date—unsubstantiated claims.

Regardless, by yet again conveniently selecting policy points to fit his narrative, Witness Zimmerman conveniently omits the crux of the Commission's directive when establishing Solar Choice, which is outlined in Act 62 as follows:

> (1) eliminate any cost shift to the greatest extent practicable on customers who do not have customer-sited generation while also ensuring access to customer-generator options for customers who choose to enroll in customer-generator programs; and
>
> (2) permit solar choice customer-generators to use customer-generated energy behind the meter without penalty.

In fact, in 17 pages of testimony, Witness Zimmerman never once references Act 62's express requirement that cost-shift be eliminated to the "greatest extent practicable." Contrary to Witness Zimmerman's selective approach to Act 62, the Commission— just as it did in the Generic Docket—should balance the directives in Act 62, while abiding by the specific instructions for "establishing" Solar Choice outlined by the General Assembly.

Q. HOW DO YOU RESPOND TO WITNESS ZIMMERMAN'S ASSERTION ON PAGE 6, LINE 20 THROUGH LINE 23, THAT FROM A UTILITY-COST PERSPECTIVE, CUSTOMER-GENERATION "HAS NO PERCEPTIBLE DIFFERENCE FROM ENERGY EFFICIENCY IMPROVEMENTS, LOAD REDUCTIONS, OR DEMAND-SIDE-MANAGEMENT?"

A. While it is true that these items are similar in the sense that they could provide bill savings to the customer, the ways in which they provide savings are very different. To understand the difference with respect to Act 62, it is critical to understand solar PV energy exports. Unlike energy efficient equipment, solar PV can generate more power than the customer consumes behind the meter. As a service incentive to solar customer generators, DESC purchases the energy not consumed behind the meter, and transports it to other customers or the market. Historically, NEM rate structures that allow for one-for-one credits meant that DESC pays the retail rate for this excess generation. These rates are higher prices than the avoided cost rates other wholesale generators receive for either renewable or 'brown' power. This 1:1 incentive policy has encouraged customers to install systems that generate more electricity than the customer can consume behind the meter. Paying customers retail rates for excess energy has meant that customers can receive enough banked credits to zero-out their utility bill for months at a time. This is not possible through energy efficiency measures. The cost of paying solar PV customers more than other power generators who receive payments via PURPA contracts has meant that these extra costs are born by other customers—resulting in the cost-shift cautioned against by Act 62. Act 62 also requires that the solar choice tariff permit customer generators to use energy generated behind the meter without penalty. This clearly refers to the energy generated by the system coincident with the customer's energy consumption. Conflating Solar PV with energy efficient equipment seems to be an attempt to extend this language to energy exports.

Although DESC must plan its system in the same manner to serve each class of customers, cost-recovery and load profiles certainly have a "perceptible difference," contrary to Witness Zimmerman's unsupported claim. These differences are further exacerbated once you consider the export mechanism by which the NEM customer can put power to DESC—a complexity in serving an NEM customer that is simply not present when serving a customer employing energy efficiency or demand-side-management mechanisms.

Q. ON PAGE 10, LINE 21, WITNESS ZIMMERMAN ARGUES THAT THERE IS "NO SUPPORT FOR HOURLY-NETTING" WITHIN ACT 62. IS IT TRUE THAT THERE IS NO SUPPORT FOR THE "NETTING" MECHANISM PROPOSED BY DESC WITHIN ACT 62?

A. No. This is simply a mischaracterization of Act 62. Witness Zimmerman seems to imply that because hourly netting is not called out by name in Act 62 that the intent of Act 62 is to avoid hourly netting entirely. However, Act 62 does require the Commission to establish an "energy measurement interval" for the Solar Choice

Tariffs, and as DESC Witness Everett describes in greater detail, the netting mechanism is necessary for DESC to address the requirement that cost shift be eliminated "to the greatest extent practicable." Likewise, ORS Witness Horii notes that the netting mechanism within the Solar Choice Tariffs "reduces the cost shift to non-participating customer[s] by limiting full retail bill reductions to only the solar energy used . . . to offset deliveries of energy from DESC."[13] Clearly, this hourly netting concept serves to align costs to serve this subset of customers, which results in a benefit provided to non-participating customers in the form of a reduced cost-shift. Witness Zimmerman's best-case scenario of annual netting would continue the same subsidies and cost-shifts which Act 62 expressly cautions against and maintain the status quo in South Carolina, which is in conflict with the new NEM-related mandates within Act 62.

Q. ON PAGE 15, LINES 7 THROUGH 9, WITNESS ZIMMERMAN STATES THAT THE COMMISSION SHOULD NOT IMPLEMENT "ANY TOU TARIFF . . . UNTIL AT LEAST ONE-FULL YEAR OF 8760 DATA IS READILY AVAILABLE FOR INDUSTRY AND RATEPAYERS." HOW DO YOU RESPOND TO THIS ASSERTION?

A. Let's be clear. This is simply a delay and diversion tactic—without any support that I can see from Act 62—that ignores the required investigation and

[13] Direct Testimony of Brian Horii page 6, line 22, through page 7, line 1.

analysis that took place in the Generic Docket. This tactic is founded upon two fundamental misunderstandings. First, Witness Zimmerman attempts to delay implementation of the Solar Choice Tariffs for at least one year for new customers such that this 8760 data can be collected. Presumably, Witness Zimmerman would have the Commission continue the status quo during that timeframe to provide Witness Zimmerman's company with a better prospect for policy-driven or regulatorily-induced growth. However, any new customers would have elected to apply at their own option. That is, they presumably would apply with a decision that the Solar Choice Tariffs are a sound economic decision for themselves, rather than simply being placed upon them by DESC. To be clear, there are no customers that will automatically be hoisted upon new TOU rates without warning. Likewise, this concern is equally invalid for existing NEM customers given that those customers will not even have the option to transition until 2025, at the earliest. This provides these customers with ample time to obtain 8760 data or otherwise educate themselves about their energy usage. DESC has not found a provision in Act 62 requiring DESC to provide 8760 data to solar developers such that they can review energy usage and set their margins accordingly. Instead, Act 62 did require the establishment of a Generic Docket to investigate and determine the costs and benefits of the current NEM program.[14] Again, as demonstrated above, Witness

[14] S.C. Code Ann. § 58-40-20(D).

Zimmerman's blind ambition for guaranteed, continued growth leaves him unable to see the full scope of Act 62.

Q. ON PAGE 11, LINES 17 THROUGH 18, WITNESS ZIMMERMAN ARGUES THAT "DESC DOES NOT MAKE THE CAPITAL INVESTMENT IN CUSTOMER-GENERATION AND THEREFORE SHOULD NOT RETAIN THE ENVIRONMENTAL ATTRIBUTES OF THE SYSTEM." IS THE SOURCE OF THE CAPITAL INVESTMENT THE DETERMINATIVE FACTOR AS TO OWNERSHIP OF RENEWABLE ENERGY CERTIFICATES ("RECS")?

A. No, it is not, and such an assertion mischaracterizes the NEM relationship between DESC and customer-generators. A fundamental aspect of NEM and PURPA is the delivery of "green power" to DESC. It is this delivery of "green power" that is the basis for PURPA and NEM. Should a customer-generator seek to withhold the RECs associated with the energy it delivers to DESC, it would have the effect of delivering "brown power." The rates, terms, and conditions for PURPA, as well as NEM, contemplate the delivery of "green power." As such, the rates, terms, and conditions of these programs would need to be re-evaluated to arrive at a fair value for "intermittent brown power." Therefore, DESC starts from the basic premise that the utility holds RECs associated with the "green power" it receives through such programs and this basic premise is reflected in the values in the Solar Choice Tariffs. With respect to the customer-generated energy that is consumed behind the meter, customers would be allowed to maintain those REC properly reflecting its consumption of "green power" in that situation.

Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?

A. Yes, it does.